

**BLOOMER TOWNSHIP**  
**FINANCIAL STATEMENTS**  
For the year ended March 31, 2008

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**WALKER, FLUKE & SHELDON, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Ionia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

**INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Bloomer Township  
Montcalm County, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bloomer Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bloomer Township, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Bloomer Township, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bloomer Township's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Bloomer Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
August 25, 2008

*Walker, Fluke & Sheldon, P.C.*

**BLOOMER TOWNSHIP**  
**GOVERNMENT WIDE STATEMENT OF NET ASSETS**  
**March 31, 2008**

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	<u>Primary Government</u>	
	<b>Governmental</b>	
<b>ASSETS</b>	<b>Activities</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 333,469	\$ 333,469
Investments	216,455	216,455
Receivables		
Taxes	3,869	3,869
Due From State	27,933	27,933
Due From Other Funds	1,678	1,678
Due From Other Units of Government	75,000	75,000
Capital Assets (Net of Accumulated Depreciation)	<u>12,216</u>	<u>12,216</u>
Total Assets	<u>670,620</u>	<u>670,620</u>
<b>LIABILITIES</b>		
Liabilities		
Accounts Payable	<u>69,616</u>	<u>69,616</u>
Total Liabilities	<u>69,616</u>	<u>69,616</u>
<b>NET ASSETS</b>		
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,216	12,216
Unrestricted	<u>588,788</u>	<u>588,788</u>
Total Net Assets	<u>\$ 601,004</u>	<u>\$ 601,004</u>

The Notes to Financial Statements are an integral part of this statement.

**BLOOMER TOWNSHIP**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2008**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets	
			Primary Government	
		Charges for Services	Governmental Activities	Total
<b>Primary Government</b>				
Governmental Activities				
Legislative	\$ 7,331	\$ -	\$ (7,331)	\$ (7,331)
General Government	49,089	2,835	(46,254)	(46,254)
Public Safety	14,656	2,874	(11,782)	(11,782)
Public Works	173,983	-	(173,983)	(173,983)
Community and Economic Development	7,291	1,435	(5,856)	(5,856)
Other	10,125	-	(10,125)	(10,125)
Total Governmental Activities	<u>262,475</u>	<u>7,144</u>	<u>(255,331)</u>	<u>(255,331)</u>
Total Primary Government	<u>\$ 262,475</u>	<u>\$ 7,144</u>	<u>(255,331)</u>	<u>(255,331)</u>
General Revenues				
Taxes			42,291	42,291
State Grants			183,382	183,382
Investment Income			19,221	19,221
Other			3,448	3,448
Total General Revenues			<u>248,342</u>	<u>248,342</u>
Change in Net Assets			(6,989)	(6,989)
Net Assets-Beginning			<u>607,993</u>	<u>607,993</u>
Net Assets-Ending			<u>\$ 601,004</u>	<u>\$ 601,004</u>

The Notes to Financial Statements are an integral part of this statement.

**BLOOMER TOWNSHIP**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**March 31, 2008**

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<b>ASSETS</b>	<b>General</b>	<b>Total Governmental Funds</b>
Cash and Cash Equivalents	\$ 333,469	\$ 333,469
Investments	216,455	216,455
Receivables		
Taxes	3,869	3,869
Due From State	27,933	27,933
Due From Other Funds	1,678	1,678
Due From Other Units of Government	<u>75,000</u>	<u>75,000</u>
 Total Assets	 <u>\$ 658,404</u>	 <u>\$ 658,404</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts Payable	\$ 69,616	\$ 69,616
Deferred Revenue	<u>3,869</u>	<u>3,869</u>
 Total Liabilities	 <u>73,485</u>	 <u>73,485</u>
 Fund Balances		
Unreserved-Undesignated	<u>584,919</u>	<u>584,919</u>
 Total Fund Balances	 <u>584,919</u>	 <u>584,919</u>
 Total Liabilities and Fund Balance	 <u>\$ 658,404</u>	 <u>\$ 658,404</u>

The Notes to Financial Statements are an integral part of this statement.

**BLOOMER TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUND'S BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**March 31, 2008**

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<b>Total Fund Balance</b>		<b>\$ 584,919</b>
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Capital assets used in governmental activities are not financial resources and therefore  
are not reported in the governmental funds

Governmental capital assets	<b>\$ 213,427</b>	
Less: Accumulated Depreciation	<u><b>201,211</b></u>	<b>12,216</b>

Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities		<u><b>3,869</b></u>
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<b>Net Assets of Governmental Activities</b>		<b><u>\$ 601,004</u></b>
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The Notes to Financial Statements are an integral part of this statement.

**BLOOMER TOWNSHIP**  
**GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended March 31, 2008**

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	<u>General</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>		
Taxes and Penalties	38,422	\$ 38,422
Licenses and Permits	1,435	1,435
State Grants	185,822	185,822
Charges for Services	2,914	2,914
Interest and Rents	19,576	19,576
Other Revenue	<u>3,448</u>	<u>3,448</u>
<b>Total Revenues</b>	<u>251,617</u>	<u>251,617</u>
<b>Expenditures</b>		
Current		
Legislative	7,331	7,331
General Government	43,456	43,456
Public Safety	14,656	14,656
Public Works	173,983	173,983
Community and Economic Development	7,291	7,291
Other	<u>10,125</u>	<u>10,125</u>
<b>Total Expenditures</b>	<u>256,842</u>	<u>256,842</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(5,225)	(5,225)
<b>Fund Balance-April 1, 2007</b>	<u>590,144</u>	<u>590,144</u>
<b>Fund Balance-March 31, 2008</b>	<u>\$ 584,919</u>	<u>\$ 584,919</u>

The Notes to Financial Statements are an integral part of this statement.



**BLOOMER TOWNSHIP**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2008**

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**Net Change in Fund Balances - Total Governmental Funds** **\$ (5,225)**

Net changes in revenues in the Statement of Activities that do not provide current  
financial resources are not reported as revenues in the funds 3,869

Governmental funds report capital outlays as expenditures. However, in the Statement of  
Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ -	
Less: Current year depreciation	(5,633)	
Less: Loss on disposal of capital assets	<u>-</u>	<u>(5,633)</u>

Change in Net Assets of Governmental Activities **\$ (6,989)**

**BLOOMER TOWNSHIP**  
**FIDUCIARY FUNDS - STATEMENT OF NET ASSETS**  
**March 31, 2008**

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<b>ASSETS</b>	<b>Tax Fund</b>
Cash and Cash Equivalents	\$ 1,678
Total Assets	\$ 1,678
<b>LIABILITIES</b>	
Liabilities	
Due to Other Funds	\$ 1,678
Total Liabilities	\$ 1,678

The Notes to Financial Statements are an integral part of this statement.

**BLOOMER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Bloomer Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Bloomer Township:

**REPORTING ENTITY**

Bloomer Township is situated in Montcalm County near Carson City. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they may have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

**BLOOMER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**  
(Continued)

Taxes Receivable - The Township property tax is levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county delinquent tax rolls.

Although the Township ad valorem tax is levied and collectible on February 1<sup>st</sup>, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 State taxable valuation of the Township totaled \$34,813,894 on which ad valorem taxes levied consisted of .8283 mills for Township operating purposes raising \$28,787 for operating purposes.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

Additionally, the government reports the following fund types:

- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

The Township has a note receivable outstanding with the Montcalm County Road Commission. In 2005, the Township loaned the road commission \$150,000 with 0% interest for 6 years. The Township will decrease their payments to the road commission each year by \$25,000 to supplement for the payment from the road commission. The balance of the note as of March 31, 2008 was \$75,000.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Township are purchased by Montcalm County. The County sells tax notes and the proceeds are used to pay the Township for these property taxes. These taxes have been recorded as deferred revenue for the current year since they are not available to fund expenditures of the current period.

**BLOOMER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2008**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Capital Assets - The Township defines Capital assets as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Buildings and Improvements	40 years
Equipment and Furnishings	5 years
Data Processing Equipment	3 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Currently, the Township does not have any reservations or designations of fund balance.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Township Boards prepares the annual budgets prior to December 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General			
General Government:			
Supervisor	\$ 4,294	\$ 4,652	\$ 358
Clerk	\$ 8,197	\$ 8,482	\$ 285
Board of Review	\$ 751	\$ 1,503	\$ 752
Cemetery	\$ 3,753	\$ 4,226	\$ 473

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by Bloomer Township.

**BLOOMER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2008**

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**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated three banks for the deposit of Bloomer Township funds.

The Township's deposits and investments are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>FIDUCIARY FUNDS</u></b>	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>
Cash and Cash Equivalents	\$ 333,469	\$ 1,678	\$ 335,147
Investments	216,455	-	216,455
Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 549,924</u>	<u>\$ 1,678</u>	<u>\$ 551,602</u>

The breakdown between deposits and investments is:

	<b><u>PRIMARY GOVERNMENT</u></b>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 551,602
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 551,602</u>

**BLOOMER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008**

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**DEPOSITS AND INVESTMENTS (Continued)**

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, the Township has deposits with a carrying amount of \$551,602 and a bank balance of \$553,058. Of the bank balance, \$318,842 is covered by federal depository insurance and \$234,216 is uninsured and \$0 is collateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**INTERFUND RECEIVABLES AND PAYABLES**

The amounts of the interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ <u>1,678</u>	Tax	\$ <u>1,678</u>
	\$ <u>1,678</u>		\$ <u>1,678</u>

The interfund receivable and payable represent tax money collected; not yet remitted to the Township General Fund.

**BLOOMER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2008**

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Subtotal	-	-	-	-
Capital Assets Being Depreciated				
Buildings	187,272	-	-	187,272
Land Improvements	-	-	-	-
Furniture	5,400	-	-	5,400
Equipment	5,755	-	-	5,755
Data Processing Equipment	15,000	-	-	15,000
Subtotal	213,427	-	-	213,427
Less Accumulated Depreciation for				
Buildings	173,227	4,682	-	177,909
Land Improvements	-	-	-	-
Furniture	5,400	-	-	5,400
Equipment	1,951	951	-	2,902
Data Processing Equipment	15,000	-	-	15,000
Subtotal	195,578	5,633	-	201,211
Net Capital Assets Being Depreciated	17,849	(5,633)	-	12,216
Governmental Activities Total Capital Assets- Net of Depreciation	<u>\$ 17,849</u>	<u>\$ (5,633)</u>	<u>\$ -</u>	<u>\$ 12,216</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	<u>\$ 5,633</u>
Total Governmental Activities	<u>\$ 5,633</u>



**BLOOMER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2008**

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**RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township manages its risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Michigan Township Participating Plan was established in April 1985, pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Township Participating Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At March 31, 2008, there were no claims that exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

**PRIOR PERIOD ADJUSTMENT**

A certain error, resulting in the understatement of fund balance in the prior year, was corrected during the March 31, 2008 audit. The cumulative effect on fund balance from this error is as follows:

	<b><u>GENERAL FUND</u></b>	<b><u>GOVERNMENTAL ACTIVITIES</u></b>
Fund Balance at April 1, 2007, as previously reported	\$ 566,444	
March 31, 2007 Interest Income not recorded	4,232	
March 31, 2007 Due from State not recorded	29,086	
March 31, 2007 Payable not recorded	<u>(9,618)</u>	
Fund Balance at March 31, 2007, as restated	<u>\$ 590,144</u>	
Net Assets at April 1, 2007, as previously reported		\$ 580,490
March 31, 2007 Interest Income not recorded		4,232
March 31, 2007 Due from State not recorded		29,086
March 31, 2007 Payable not recorded		(9,618)
March 31, 2007 Fixed Asset not recorded		4,754
March 31, 2007 Depreciation not recorded		<u>(951)</u>
Net Assets at March 31, 2007, as restated		<u>\$ 607,993</u>

**BLOOMER TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended March 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 590,144	\$ 590,144	\$ 590,144	\$ -
Resources (Inflows)				
Taxes and Penalties	43,421	43,421	38,422	(4,999)
Licenses and Permits	1,600	1,600	1,435	(165)
State Grants	139,576	139,576	185,822	46,246
Charges for Services	4,069	4,069	2,914	(1,155)
Interest and Rents	8,215	8,215	19,576	11,361
Other Revenue	<u>980</u>	<u>980</u>	<u>3,448</u>	<u>2,468</u>
Amounts Available for Appropriation	<u>197,861</u>	<u>197,861</u>	<u>251,617</u>	<u>53,756</u>
Charges to Appropriations (Outflows)				
Legislative	8,739	8,739	7,331	1,408
General Government				
Supervisor	4,294	4,294	4,652	(358)
Elections	3,000	3,000	922	2,078
Assessor	11,980	11,980	10,442	1,538
Clerk	8,197	8,197	8,482	(285)
Board of Review	751	751	1,503	(752)
Treasurer	12,405	12,405	10,915	1,490
Township Hall	3,750	3,750	2,314	1,436
Cemetery	3,753	3,753	4,226	(473)
Public Safety				
Fire	14,656	14,656	14,656	-
Public Works				
Drains	12,437	12,437	-	12,437
Highways	187,996	187,996	173,541	14,455
Street Lighting	450	450	442	8
Community and Economic Development				
Planning and Zoning	7,877	7,877	7,291	586
Other	<u>16,000</u>	<u>16,000</u>	<u>10,125</u>	<u>5,875</u>
Total Charges to Appropriations	<u>296,285</u>	<u>296,285</u>	<u>256,842</u>	<u>39,443</u>
Excess of Resources Over (Under)				
Appropriations	<u>(98,424)</u>	<u>(98,424)</u>	<u>(5,225)</u>	<u>93,199</u>
Budgetary Fund Balance				
March 31, 2008	<u>\$ 491,720</u>	<u>\$ 491,720</u>	<u>\$ 584,919</u>	<u>\$ 93,199</u>

**BLOOMER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended March 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Revenues</b>				
Taxes and Penalties:				
Property Taxes			\$ 26,853	
Delinquent Property Tax			2,956	
Collection Fees			<u>8,613</u>	
Total Taxes and Penalties	\$ 43,421	\$ 43,421	<u>38,422</u>	\$ (4,999)
Licenses and Permits:				
Permits			<u>1,435</u>	
Total Licenses and Permits	1,600	1,600	<u>1,435</u>	(165)
State Grants:				
State Revenue Sharing			183,382	
Other			<u>2,440</u>	
Total State Grants	139,576	139,576	<u>185,822</u>	46,246
Charges for Services:				
Fire Runs			2,874	
Sale of Cemetery Lots			<u>40</u>	
Total Charges for Services	4,069	4,069	<u>2,914</u>	(1,155)
Interest and Rentals:				
Interest			19,221	
Rentals			<u>355</u>	
Total Interest and Rentals	8,215	8,215	<u>19,576</u>	11,361
Other Revenue:				
Metro Act			3,338	
Miscellaneous			<u>110</u>	
Total Other Revenue	<u>980</u>	<u>980</u>	<u>3,448</u>	<u>2,468</u>
<b>Total Revenues</b>	<u>197,861</u>	<u>197,861</u>	<u>251,617</u>	<u>53,756</u>

**BLOOMER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Expenditures</b>				
<b>Legislative:</b>				
Township Board:				
Per Diem and Fees			4,000	
Deputies Wages			1,366	
Dues and Training			1,043	
Printing and Publishing			146	
Professional Fees			776	
Total Legislative	<u>8,739</u>	<u>8,739</u>	<u>7,331</u>	<u>1,408</u>
<b>General Government:</b>				
Supervisor:				
Salary			4,652	
Total Supervisor	4,294	4,294	<u>4,652</u>	(358)
Elections:				
Salary			648	
Miscellaneous			274	
Total Elections	3,000	3,000	<u>922</u>	2,078
Assessor:				
Contracted Services			10,049	
Miscellaneous			393	
Total Assessor	11,980	11,980	<u>10,442</u>	1,538
Clerk:				
Salary			6,510	
Supplies			91	
Professional Services			1,320	
Mileage			65	
Miscellaneous			496	
Total Clerk	8,197	8,197	<u>8,482</u>	(285)
Board of Review:				
Salary			1,468	
Miscellaneous			35	
Total Board of Review	751	751	<u>1,503</u>	(752)

**BLOOMER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Expenditures (Continued)</b>				
<b>General Government (Continued):</b>				
Treasurer:				
Salary			7,917	
Supplies			1,604	
Miscellaneous			<u>1,394</u>	
Total Treasurer	12,405	12,405	<u>10,915</u>	1,490
Township Hall:				
Utilities			1,235	
Repairs and Maintenance			<u>1,079</u>	
Total Township Hall	3,750	3,750	<u>2,314</u>	1,436
Cemetery:				
Salaries			4,026	
Supplies			<u>200</u>	
Total Cemetery	<u>3,753</u>	<u>3,753</u>	<u>4,226</u>	<u>(473)</u>
Total General Government	<u>48,130</u>	<u>48,130</u>	<u>43,456</u>	<u>4,674</u>
<b>Public Safety:</b>				
Fire Protection:				
Contracted Services			<u>14,656</u>	
Total Fire Protection	<u>14,656</u>	<u>14,656</u>	<u>14,656</u>	<u>-</u>
Total Public Safety	<u>14,656</u>	<u>14,656</u>	<u>14,656</u>	<u>-</u>
<b>Public Works:</b>				
Drains:				
Contracted Services			<u>-</u>	
Total Drains	12,437	12,437	<u>-</u>	12,437
Highways:				
Repairs and Maintenance			<u>173,541</u>	
Total Highways	187,996	187,996	<u>173,541</u>	14,455
Street Lighting:				
Utilities			<u>442</u>	
Total Street Lighting	<u>450</u>	<u>450</u>	<u>442</u>	<u>8</u>
Total Public Works	<u>200,883</u>	<u>200,883</u>	<u>173,983</u>	<u>26,900</u>

**BLOOMER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Expenditures (Continued)</b>				
<b>Community and Economic Development:</b>				
Planning and Zoning:				
Salaries			6,811	
Supplies			66	
Printing and Publishing			414	
Total Planning and Zoning	<u>7,877</u>	<u>7,877</u>	<u>7,291</u>	<u>586</u>
Total Community and Economic Development	<u>7,877</u>	<u>7,877</u>	<u>7,291</u>	<u>586</u>
<b>Other:</b>				
Sanitation			3,500	
Payroll Taxes			3,303	
Insurance and Bonds	<u>16,000</u>	<u>16,000</u>	<u>3,322</u>	<u>12,678</u>
Total Other	<u>16,000</u>	<u>16,000</u>	<u>10,125</u>	<u>5,875</u>
Total Expenditures	<u>296,285</u>	<u>296,285</u>	<u>256,842</u>	<u>39,443</u>
Excess of Revenues Over (Under) Expenditures	<u>(98,424)</u>	<u>(98,424)</u>	<u>(5,225)</u>	<u>93,199</u>
Fund Balance-April 1, 2007	<u>590,144</u>	<u>590,144</u>	<u>590,144</u>	<u>-</u>
Fund Balance-March 31, 2008	<u>\$ 491,720</u>	<u>\$ 491,720</u>	<u>\$ 584,919</u>	<u>\$ 93,199</u>



**WALKER, FLUKE & SHELDON, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Ionia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

To the Township Board  
Bloomer Township  
Montcalm County, Michigan

In planning and performing our audit of the financial statements of the Bloomer Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Bloomer Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Township does not have the procedures in place to record year-end revenue and expenditure accruals, and changes in capital assets.

This communication is intended solely for the information and use of management, the board of trustees of Bloomer Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI  
August 25, 2008

*Walker, Fluke & Sheldon, PLC*



**WALKER, FLUKE & SHELDON, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Ionia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

August 25, 2008

To the Township Council  
Bloomer Township  
Montcalm County, MI

We have recently completed an audit of the financial statements of the Bloomer Township, Montcalm County, Michigan for the year ended March 31, 2008. During the course of the audit the following items came to our attention, which require further comment.

**Budgets Should Be Reviewed On A Periodic Basis**

The general appropriations act passed before the beginning of each fiscal year is the legal authority for the Township to spend public moneys. The general appropriations act specifies amounts that may be spent by budget category. The Township does not have legal authority to spend amounts in excess of specific appropriations.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government may not incur expenditures in excess of amounts appropriated. When it appears that more money will be spent than the amount originally appropriated, it is necessary to amend the budget. This can be done at any meeting prior to the fiscal year end and does not require a new public hearing. During the year ended March 31, 2008, the Township's actual expenditures exceeded their appropriations in several categories.

It is recommended the Township closely monitor the expenditures in relation to amounts appropriated and amend the budget when necessary. In addition, consideration should be taken at year-end for typical audit adjustments and amend the budget accordingly. The approved budget and all amended budgets should become a permanent part of the board minutes.

**Receipt Book**

During the course of the audit, it was noted that the treasurer was not utilizing a receipts book to record money collected.

A pre-numbered duplicate receipts book should be used to record all payments received. The receipt should indicate the date collected, the payer, the amount and whether the payment was made in cash or check. The top copy should be given to the customer and the bottom copy should be kept in tact in the book. The receipts should indicate which are added together to make one deposit. Receipts records provide valuable tracking information and internal controls over cash payments.

It is recommended the treasurer start using a pre-numbered receipts book for all money received.

**Deposits should be made in Tact and in a Timely Manner**

During the course of the audit, it was noted that the funds received by the clerk were not deposited timely by the treasurer.

According to the uniform accounting procedures manual for local units of government, deposits must be made at least on a monthly basis.

It is recommended all funds received should be deposited no less than once per month. Depositing funds on a regular basis is an important internal control to ensure that funds are properly safeguarded.

**Cash Should Be Reconciled to the Bank Statement and the General Ledger Monthly**

During the course of the audit, it was noted that the tax bank accounts had not been reconciled to the bank statement by the treasurer on a monthly basis. The general ledger did not reflect accurate tax account balances. Additional bookkeeping work is outside the normal procedures required by an audit and results in additional costs



to the Township. One of the most important internal control procedures is for the Clerk and Treasurer to reconcile their books to the reconciled bank statements for all bank accounts maintained by the Treasurer. This step verifies that all the activity of the Township has been recorded in the Township general ledger.

It is recommended the bank reconciliations be compared to the general ledger on a monthly basis. Differences should be investigated in a timely manner. Adjustments should be made to the general ledger as necessary.

#### **Interest Income Record Keeping**

During the course of the audit, it was noted that interest income on some certificates of deposit was not being recorded when the interest was earned.

According to generally accepted accounting principles, the general and special revenue funds of governmental units use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means, collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Since the interest earned on certificates is periodically credited to the account, the interest being credited meets the measurable and available test for revenue recognition and must be recorded by the Township.

It is recommended the Township record interest income from certificates of deposit when it is credited to the account. The treasurer should request quarterly print outs for each certificate of deposit from the corresponding bank. The amount of interest credited to the account since the prior inquiry should be receipted and given to the clerk for posting in the general ledger. This documentation should be kept to support the entries and filed in an organized manner that is easily accessible. In addition, the clerk should reconcile the bank balance to the adjusted general ledger balance. Any discrepancies should be investigated and corrected in a timely manner.

#### **The Township pays Officials and Employees in Advance**

During the course of the audit, it was noted that numerous township officials were paid their salary in advance.

MCL 750.490 directs that it is illegal to pay official and employees in advance or to loan monies to anyone or to any organization from public funds. Since an official or employee has not yet earned the money, paying in advance would be considered a loan. Payroll frequency and dates must be in compliance with Internal Revenue Service guidelines.

It is recommended township officials should receive payment of wages on the first day of each calendar month for all wages earned during the preceding month.

#### **The Township Has Not Adopted A Capital Outlay Policy nor Depreciation Policy**

During the course of the audit, it was noted that the Township does not have a capital outlay policy or depreciation policy. A capital outlay policy helps the clerk determine which expenditures to capitalize as fixed assets vs. expensing as supplies or repairs and maintenance. It enables the board to identify and separately approve the purchase of fixed asset disbursements. This policy will become critical with the implementation of GASB 34, which requires more detailed accounting in the area of fixed assets. In addition, a depreciation policy sets forth the method and lives that these capital assets will be depreciated for GASB 34 purposes.

It is recommended the Township Council adopt a capital outlay policy that sets a dollar threshold, under which items would not require specific board approval and would be booked to supplies or repairs and maintenance. Expenditures over that dollar threshold would require board approval for the exact amount (including shipping, freight, add-on's, etc) and be recorded in the capital outlay accounts. The Township also needs to adopt a depreciation policy that would specify the method and useful lives to apply to the fixed asset listing to calculate depreciation expense.

#### **The Township Has Not Adopted An Investment Policy**

During the course of the audit, it was noted that the organization had not adopted an investment policy.

P.A. 196 of 1997 was signed and took immediate effect on December 30, 1997, which required the legislative body to adopt an investment policy that, at a minimum, includes the following:

1. A statement of the purpose, scope, and objectives of the policy, including safety, diversification, liquidity, and return on investment.

2. A delegation of authority to make investments.
3. A list of authorized investment instruments.
4. A statement concerning safekeeping, custody, and prudence.

After approval, the treasurer shall provide each financial intermediary, broker, or dealer with a copy of the investment policy and shall obtain an acknowledgment from them stating that they agree to comply with the terms of the investment policy.

It is recommended the Board of Directors write and adopt an investment policy in compliance with P.A. 196 of 1997. The treasurer of the Bloomer Township should provide each authorized depository with a copy and obtain the proper acknowledgment.

We would like to take this opportunity to thank the Bloomer Township Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Finkle & Sheldahl, PLLC